

GOVERNMENT-SPONSORED CARGOES— 2004
 (Note: These numbers do not include domestic shipments)

PUBLIC LAW 664 CARGOES:

Program	U.S.-Flag Revenue (\$1,000)	Total Metric Tons	U.S.-Flag Metric Tons	Percentage U.S.-Flag Tonnage
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Agency for International Development (AID):

P.L. 480 - Title II

Liner	189,453	1,552,674	1,156,547	74.5%
Bulker	135,451	1,543,294	1,080,917	70.0%
Tanker	5,899	90,591	59,269	65.4%
TOTAL	<u>330,804</u>	<u>3,186,560</u>	<u>2,296,734</u>	<u>72.1%</u>

Department of Agriculture:

P.L. 480 - Title I

Liner	744	23,871	5,512	23.1%
Bulker	18,242	229,798	203,696	88.6%
Tanker	0	0	0	0%
TOTAL	<u>18,986</u>	<u>253,669</u>	<u>209,208</u>	<u>82.5%</u>

Food for Progress

Liner	33,781	214,085	182,693	85.3%
Bulker	40,415	434,114	355,057	81.8%
Tanker	7,734	32,741	24,741	75.6%
TOTAL	<u>81,930</u>	<u>680,940</u>	<u>562,491</u>	<u>82.6%</u>

Food for Education

Liner	16,600	101,860	83,220	81.7%
Bulker	4,256	29,969	29,969	100%
Tanker	0	0	0	0%
TOTAL	<u>20,856</u>	<u>131,829</u>	<u>113,189</u>	<u>85.9%</u>

Program	U.S.-Flag Revenue (\$1,000)	Total Metric Tons	U.S.-Flag Metric Tons	Percentage U.S.-Flag Tonnage
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Section 416(b)

Liner	15,915	78,097	70,247	89.9%
Bulker	0	0	0	0%
Tanker	0	0	0	0%
TOTAL	<u>15,915</u>	<u>78,097</u>	<u>70,247</u>	<u>89.9%</u>

TOTALS	<u>468,491</u>	<u>4,331,095</u>	<u>3,251,868</u>	<u>75.1%</u>
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Agency for International Development (AID):

Loans and Grants				
Liner	3,812	50,146	38,407	76.6%

Department of Transportation
Federal Transit Administration

Liner	6,845	32,725	30,303	92.6%
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State Department - Overseas Building Office

Liner	510	5,082	2,321	45.7%
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State Department - U.S. Dispatch Agencies

Liner	4,221	60,268	58,643	97.3%
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TOTALS	<u>15,388</u>	<u>148,221</u>	<u>129,6748</u>	<u>7.5%</u>
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PUBLIC RESOLUTION 17 CARGOES:

Program	Total Freight Revenue	U.S.-Flag Freight Revenue	Total Metric Tons	U.S.-Flag Metric Tons	Percentage U.S.-Flag
Exim bank					
Liner	14,049	10,290	67,177	38,418	57%

Israeli Side Letter Agreement

Program	U.S.-Flag Revenue (\$1,000)	Total Metric Tons	U.S.-Flag Metric Tons	Percentage U.S.-Flag Tonnage
Government of Israel (GOI)				
Bulker:	11,192	604,980	302,490	50.0%
Iraq Reconstruction				
Liner:	931	2,370	811	34.2%

Defense Security Cooperation Agency (DSCA):

Foreign Military Financing, Grant

Transfers and related programs

Liner:	15,673	49,192	35,597	72%
Tanker:	<u>16,750</u>	<u>375,998</u>	<u>375,998</u>	<u>100%</u>
TOTAL	<u>32,423</u>	<u>425,190</u>	<u>411,595</u>	<u>97%</u>

CARGO PREFERENCE ACT OF 1904 CARGOES:

FISCAL YEAR 2004

Department of Defense Military Contracts¹

	Measurement Tons Dry Cargo	Percentage U.S.-Flag Tonnage Total Dry Cargo	Metric Tons Petroleum	Percentage U.S.-Flag Tonnage Total Petroleum
<u>Military Contract Cargoes:</u>				
U.S.-flag privately-owned vessels	4,361,551	48.6	n/a	n/a
Foreign-flag vessels	322,562	n/a	n/a	n/a
U.S. Government-owned vessels	3,781,705	42.2	2,153,670	39.2
Chartered U.S.-flag vessels	494,487	5.5	1,453,886	26.4
Chartered Foreign-flag vessels	6,823	n/a	1,892,152	n/a
Total Military Contract Cargoes:	8,967,128	96.3	5,499,708	65.5

	Total	U.S.-Flag Metric Tons	Metric Tons	Percentage U.S.-Flag Tonnage
<u>Commercial Contractor Cargoes</u>		28,745	25,176	88.0%
<u>Personal Property and POV Shipments</u>		313,152	313,152	100.0%

Military U.S.-Flag Revenues:

Dry Cargo	\$344,693,919
Commercial Contractor Cargoes	\$17,652,244

Personal Property & POV Shipments	\$491,048,663
Petroleum	\$10,427,517
Total U.S.-Flag Revenue	\$863,822,343

Notes

Tonnages and revenues are reported by Military Sealift Command (MSC) and Military Surface Deployment and Distribution Command (SDDC). Tonnages are from vessel manifests and lift reports of ocean carriers, and from DOD booking and payment systems to ocean carriers that carry DOD sponsored cargo by liner contract or charter contract during the fiscal year. Foreign Military Sales cargoes are excluded. "U.S.-flag privately-owned vessels" and "foreign-flag vessels" represent cargoes transported by contract with liner carriers.

Tonnages and revenues for commercial cargoes are derived from rated ladings submitted by shippers to MARAD's Office of Cargo Preference. Tonnages and revenues for DOD personal property and POV shipments are reported by SDDC from rated ladings submitted for payment by carriers performing under SDDC contract.

Strategic Petroleum Reserve

The Cargo Preference Act of 1954 applies to the Strategic Petroleum Reserve. The Strategic Petroleum Reserve is the United States' emergency oil stockpile, and it is the largest emergency petroleum supply in the world. The program is administered by the Department of Energy, which is required to transport at least 50 percent of the oil on U.S.-flag tankers. However, due to a change in the program and non-availability of interested U.S.-flag carriers, privately owned U.S.-flag commercial vessel participation in the program stopped as of 1995. Compliance is monitored on a cumulative basis dating back to January 1981 at which time the U.S.-flag participation was at 54.6 percent. As of September 2004, the cumulative compliance for U.S. flag vessels is down to 40.8 percent and continues to drop as the reserve is replenished with all non-U.S.-flag vessels.

Defense Security Cooperation Agency

The Defense Security Cooperation Agency (DSCA) is the sponsoring DOD agency for items purchased through foreign military financing and grant transfers such as those under Section 516 of the Foreign Assistance Act of 1961, as amended. The Cargo Preference Act of 1954 requires that at least 50 percent of the ocean-borne cargoes generated under these programs be transported on U.S.-flag vessels. In contrast, DSCA's policy, which is consistent with its long-standing support for the U.S. merchant marine, is that 100 percent of such cargoes should be carried on U.S.-flag vessels. In this regard, the DSCA's staff has recently revised the official wording of all their contracts to include specific reference to the U.S.-flag vessel requirements. This effort was made to ensure that all foreign government purchasing DSCA material would be able to identify the U.S.-flag requirement at the time of purchase.

The Military Cargo Preference Act of 1904 requires all items procured for or owned by U.S. military departments and defense agencies to be carried exclusively (100 percent) on U.S.-flag

vessels as long as capacity is available at reasonable rates. Program efforts concentrate on developing and maintaining a cooperative business relationship with DOD transportation component commands and commercial military shipper parties that fosters compliance with U.S.-flag statutory requirements while meeting the Nation's defense needs.

The majority of military dry cargo is booked on commercial U.S.-flag liner vessels by the Surface Deployment and Distribution Command (SDDC). Rates and services provided by commercial ocean liner carriers constitute their transportation contracts with SDDC. The Military Sealift Command (MSC) negotiates charter fixtures for carriage on available commercial vessels when military cargo cannot be transported by liner vessels. Such circumstances are usually due to the physical nature of the cargo, or cargo volume exceeding commercial liner capacity to be shipped as one lot. MARAD receives volume and revenue figures from SDDC and MSC that are incorporated into MARAD's annual cargo preference reports to Congress.

MARAD also has been receiving quarterly reports from SDDC on the movement of shipments of personal effects, plus other data on the movement of privately owned vehicles. However, cargo that is moved by DOD contractors using commercial corporate traffic departments or third party providers frequently moves without data being reported to either DOD or MARAD. Consequently the tonnage and revenue data from commercial sources is less than complete, and DOD and MARAD are working to correct this problem.

Under DOD acquisition regulations, cargo preference does not apply to subcontractors supplying commercial items when there is no value added and when ocean transportation is not the purpose of the contract. As a consequence, there may be no requirement for tonnage or revenue to be reported for some DOD shipments. There are three exceptions to this rule: (1) the contractor does not add value to the items; (2) the items are commissary or exchange items transported under

specified conditions; or (3) the items shipped are in direct support of U.S. military contingency operations or exercises or forces deployed in humanitarian or peace-keeping operations. For instance, contingency operations in Afghanistan and Iraq, Operation Enduring Freedom and Operation Iraqi Freedom, are examples of commercial items requiring carriage on board U.S.-flag ships. MARAD has made exceptions for commercial cargo a focal point with shippers to ensure adherence to cargo preference regulations. Further information can be obtained by contacting MARAD at 1-800-9US-FLAG or via e-mail at cargo.marad@marad.dot.gov.

Section 17 of the Maritime Security Act of 1996 (MSA 17) authorizes USDA's Commodity Credit Corporation (CCC) to take steps to allocate up to 25 percent of bagged, processed, or fortified commodities to Great Lakes ports on the basis of lowest landed cost without reference to the flag of the vessel. The implementation has resulted in a significant augmentation of food aid cargo movements out of the Great Lakes ports. The primary beneficiaries are the Port of Chicago and to a lesser extent the Port of Milwaukee.

For the 2003-2004 cargo preference year (CPY), approximately 337,340 metric tons of food aid cargo transited via the Great Lakes ports. The first year of implementation was for the 1998-1999 CPY when approximately 30,327 metric tons of food aid cargo transited the Great Lakes ports. U.S. food aid cargo rarely moved out of the Great Lakes prior to 1998. MARAD attributes this significant increase to the industry response to MSA 17. Transportation organizations invested additional assets in the Great Lakes ports to meet the requirements of MSA 17; that resulted in the increased amounts of food aid transiting the region. This increased tonnage strengthened the U.S. maritime transportation system including the infrastructure, industry, and labor in the Great Lakes.

Public Resolution (PR) 17 of the 73rd Congress (1934) requires that certain cargoes generated by Export-Import Bank (Ex-Im Bank), or a

similar instrumentality of the government, be shipped on U.S.-flag vessels, unless a waiver is granted. Waiver procedure policy is set forth on MARAD's Web site located at www.marad.dot.gov/offices/CivilianAgenciesSection.htm. Also included on this site are lists of U.S.-flag carriers, U.S.-flag vessels, and U.S.-flag services. Requests for non-availability waivers for project cargoes have decreased since MARAD published revised policy procedures for granting waivers in the *Federal Register*. Another MARAD Web site allows electronic paperless filing of reports about Ex-Im Bank cargoes. These revised procedures were the result of a cooperative effort involving MARAD, Ex-Im Bank, U.S. shippers and exporters, and the U.S.-flag maritime industry, both labor and management.

P.L. 105-383, Coast Guard Authorization Act of 1998, established that substandard vessels and vessels operated by owners or charterers of substandard vessels are prohibited from the carriage of U.S. Government-impelled cargo for up to one year after such determination has been published electronically. The Secretary of Transportation has delegated enforcement authority to MARAD. A discussion of this issue can be found on MARAD's cargo preference Web site http://www.marad.dot.gov/offices/cargo_memo_one.html including links to the U.S. Coast Guard's listing of vessels, owners, and operators prohibited from carrying U.S. Government-impelled cargo. The easy availability of this information has resulted in increased industry awareness and use.

Detailed statistics on the shipping activities of Federal agencies, independent entities, and Government corporations may be viewed at http://www.marad.dot.gov/marad_statistics/index.html. Statistics are maintained on a calendar year or fiscal year, or CPY basis, dependent upon program requirements.

Food Security Act of 1985 amended sections of the Merchant Marine Act of 1936 and established a minimum tonnage for agricultural products exported as government-impelled cargo,